

**Supplemental Reporting Document
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December 2010 Investment Committee Meeting
(October 2010 Reporting Period)**

Quarterly Reports

Securities Lending Earnings
Spring Fed Pool Contract Status Report



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December 13, 2010

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Securities Lending Earnings
(Quarter Ended September 30, 2010)
- II. PROGRAM:** Securities Lending
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

Earnings for the quarter ended September 30, 2010, are presented to the Investment Committee for information.

	Average Lendable Assets (\$000)	Average % on Loan	Earnings (Annualized)	Income to CalPERS (\$000)
Asset Class Earnings				
Global Equities	\$61,868,970	17%	15 bp	\$22,890
Global Fixed Income	\$17,366,373	36%	11 bp	\$4,783
Total Program Earnings	\$79,235,343			\$27,673
Unrealized gain on internal collateral reinvestment				\$32,975 *
Total Program Earnings including unrealized gain				\$60,648

*Unrealized gains resulted from CalPERS use of mark-to-market accounting on the valuation of the internal cash pool, which is not market convention on collateral reinvestment pools.

Policy Violations:

Our external cash collateral pool did not experience any new policy violations during the third quarter of the calendar year.

Carry Over Violations:

Nine Asset Backed Securities from four issuers, one Corporate Note and two Structured Investment Vehicles (SIV's) with credit quality policy violations carried over into the third quarter of the calendar year. These securities were purchased by external managers and downgraded by Fitch, Moody's and S&P in prior periods.

During the third quarter of this calendar year, two Asset Backed Securities and one Corporate Note were removed from the Policy Violation list after paying off.

Staff expects the remaining seven Asset Backed Securities to pay down over the next 16 to 18 months. The SIV's are currently under review and Staff is working to maximize value and will continue to update the Board accordingly.

V. STRATEGIC PLAN:

This program contributes to the achievement of Goal VIII of the Strategic Plan by providing low risk incremental returns to the Fund.

VI. RESULTS/COSTS:

The securities lending program generated approximately \$28 million of revenue for the quarter ended September 30, 2010, including the unrealized gain of \$ 33 million, program earnings for the quarter were \$ 61 million. The average market value of securities on loan for the quarter was \$17 billion.

MIKE JOHNSON
Investment Officer
Fixed Income

DANIEL KIEFER
Portfolio Manager
Fixed Income

ARNOLD B. PHILLIPS
Senior Portfolio Manager
Fixed Income

CURTIS D. ISHII
Senior Investment Officer
Fixed Income

JOSEPH A. DEAR
Chief Investment Officer



December 13, 2010

SUPPLEMENTAL ITEM

TO: MEMBERS OF THE INVESTMENT COMMITTEE

- I. SUBJECT:** Quarterly Spring-Fed Pool Consultant
Contract Status Report, as of September 30, 2010
- II. PROGRAM:** Policy and Business Support Division
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

The enclosed Quarterly Spring-Fed Pool Consultant Contract Status Report for the quarter ending September 30, 2010, has been prepared by staff from the Policy and Business Support Division (PBSD). The report details current encumbrances of \$10,383,315 for Spring-Fed Pool contractors. Actual final expenditures against these encumbrances may be less, but never greater than this amount, unless agreed upon by CalPERS through an amended letter of engagement. Any amendments would be identified in a future quarterly report.

V. STRATEGIC PLAN:

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

VI. RESULTS/COSTS:

The data in the report has been gathered from the contracts database and validated against other sources PBSD believes to be reliable. This item provides information to the Investment Committee on the encumbrances made to contractors from the Spring-Fed Pool.

KAMI NIEBANK, Chief
Policy and Business Support Division

JANINE GUILLOT
Chief Operating Investment Officer

JOSEPH A. DEAR
Chief Investment Officer

**Spring-Fed Pool Encumbrance Report
July 1, 2010 to September 30, 2010**

Attachment 1

Program	Pool Name	Consultant	LOE Start Date	LOE End Date	Description	Encumbered Amount	Selection Reason
AIM	AIM Spring-Fed Pool	L P Capital Advisors (Contract #2006-3892)	07/01/10	06/30/11	Portfolio Assistance	\$2,600,000	Specialized expertise - Ability to meet short timeframes
			07/01/10	06/30/11	Financial Accounting and Tax Services	\$400,000	Specialized expertise - Ability to meet short timeframes
			07/01/10	06/30/11	Strategic Advice Services	\$200,000	Specialized expertise - Ability to meet short timeframes
Subtotal						\$3,200,000	
AIM	AIM Spring-Fed Pool	Pacific Community Ventures (Contract #2006-3894)	07/01/10	06/30/11	Evaluation of Non-Financial Benefits of the California Initiative	\$184,500	Specialized expertise unmet by other pool consultants
Subtotal						\$184,500	
Total AIM Encumbered Amount						\$3,384,500	
Global Equity	Diversity Spring-Fed Pool	Mosaic Investment Advisors Inc. (Contract # 2005-3881)	06/24/10	04/30/11	Consulting Services - Selection and Use of Emerging and Diverse Vendors	\$220,000	Only pool contractor with expertise to perform the work
Total Diversity Encumbered Amount						\$220,000	
Global Equity	Corporate Governance Proxy Resource Spring-Fed Pool	Garland Associates, Inc. (Contract #2009-5434)	08/01/10	09/15/10	Proxy Solicitation Services	\$33,500	Only contractor in pool.
Total Corporate Governance Proxy Resource Encumbered Amount						\$33,500	
OPTD	General Pension Consultant Spring-Fed Pool	Cutter Associates, Inc. (Contract #2009-5104)	07/01/10	06/20/11	Investment Proposal Tracking System	\$120,000	Experience with client information management
			08/23/10	12/31/10	Target Operating Model	\$160,640	Experience with client information management
Subtotal						\$280,640	
Global Equity	General Pension Consultant Spring-Fed Pool	Mercer Investment Consulting (Contract #2009-5110)	07/22/10	07/31/11	Investment, Environmental, Social and Governance -Total Fund Integration	\$310,000	Corporate governance experience related to climate change issues
Subtotal						\$310,000	
INVO	General Pension Consultant Spring-Fed Pool	Robert H. Schaffer & Associates, LLC (Contract # 2010-5633)	09/01/10	06/30/11	Strategic Consulting Services Rapid Results Projects	\$150,000	Organizational and structural analysis experience
			09/01/10	06/30/11	Strategic Consulting Services Rapid Results Projects	\$100,000	Organizational and structural analysis experience
			09/01/10	06/30/11	Strategic Consulting Services Rapid Results Projects	\$150,000	Organizational and structural analysis experience
Subtotal						\$400,000	
PBSD	General Pension Consultant Spring-Fed Pool	Pension Consulting Alliance, Inc. (Contract # 2009-5105)	07/01/11	06/30/11	Back-up to the Primary Pension Consultant	\$150,000	Consultant selected by Board
Real Estate			07/01/10	06/30/11	Primary Real Estate Consulting Services - Fee Increase	\$423,000	Consultant selected by Board
Subtotal						\$573,000	
Total General Pension Encumbered Amount						\$1,563,640	
Real Estate	Real Estate Consulting Services Spring-Fed Pool	Callan Associates, Inc. (Contract #2010-5562)	09/02/10	06/30/11	Funds Review	\$195,000	Provides similar services to other clients/coverage overlap
			09/08/10	06/30/11	Portfolio Monitoring Assistance	\$183,500	Existing coverage of the investment or organization
Subtotal						\$378,500	

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July 1, 2010 to September 30, 2010

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Program	Pool Name	Consultant	LOE Start Date	LOE End Date	Description	Encumbered Amount	Selection Reason
Real Estate	Real Estate Consulting Services Spring-Fed Pool	Courtland Partners, Ltd. (Contract #2010-5558)	07/26/10	12/31/10	Funds Review	\$73,000	Lowest cost
			07/15/10	06/30/11	Portfolio Monitoring Assistance	\$170,000	Provides similar services to other clients/coverage overlap
Subtotal						\$243,000	
Real Estate	Real Estate Consulting Services Spring-Fed Pool	Crosswater Realty Advisors, LLC (Contract #2010-5557)	07/01/10	06/30/11	Asset Transfer Services	\$340,000	Provides similar services to other clients/coverage overlap
			09/01/10	06/30/11	Organizational Structure Development Support	\$100,000	Existing relationship/ project continued
			09/01/10	06/30/11	Manager Evaluations Review	\$60,000	Only pool contractor with expertise to perform the work / existing relationship
Subtotal						\$500,000	
Real Estate	Real Estate Consulting Services Spring-Fed Pool	Le Plastrier (Contract #2010-5550)	07/01/10	12/31/10	Consulting Services - CURE Urban Deleveraging Analysis and Plan	\$210,000	Existing relationship/ project continued
			07/01/10	12/31/10	Urban Real Estate Program, Portfolio Oversight and Coordination	\$285,000	Existing relationship/ project continued
			07/01/10	06/30/11	Asset Analysis	\$85,000	Existing relationship/ project continued
			07/01/10	06/30/11	Consulting Services - Portfolio Advice and Research	\$45,000	Existing relationship/ project continued
			07/01/10	06/30/11	Consulting Services - Evaluation and Portfolio Review	\$210,000	Existing relationship/ project continued
			07/01/10	06/30/11	Consulting Services - Oversight and General Monitoring	\$120,000	Existing relationship/ project continued
			07/01/10	06/30/11	Consulting Services - Portfolio Advice and Research	\$210,000	Existing relationship/ project continued
			07/01/10	06/30/11	Consulting Services - Management Oversight	\$150,000	Existing relationship/ project continued
			07/01/10	06/30/11	Asset Review and Manager Monitoring	\$100,000	Existing relationship/ project continued
			07/01/10	06/30/11	Analysis of the Urban Program, its Partners and Projects	\$400,000	Existing relationship/ project continued
			07/01/10	06/30/11	Consulting Services - Management Oversight	\$150,000	Existing relationship/ project continued
Subtotal						\$1,965,000	

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July 1, 2010 to September 30, 2010**

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Program	Pool Name	Consultant	LOE Start Date	LOE End Date	Description	Encumbered Amount	Selection Reason
Real Estate	Real Estate Consulting Services Spring-Fed Pool	Nichols Consulting (Contract #2010-5573)	08/01/10	06/30/11	Development of Internal Staff Procedures Manual	\$100,000	Only pool contractor with expertise to perform the work / existing relationship
			08/01/10	12/31/10	Asset Transfer Services	\$100,000	Provides similar services to other clients/coverage overlap
Subtotal						\$200,000	
Real Estate	Real Estate Consulting Services Spring-Fed Pool	Pension Consulting Alliance, Inc. (Contract #2010-5571)	07/01/10	06/30/11	Asset Transfer Services	\$924,900	Existing relationship/ project continued
			07/01/10	06/30/11	Manager Monitoring and Oversight	\$353,750	Existing relationship/ project continued
			07/01/10	06/30/11	Portfolio Monitoring Assistance	\$312,500	Existing relationship/ project continued
			07/01/10	12/31/11	Program Review (Responsible Contractor Program Policy)	\$139,025	Existing relationship/ project continued
			07/01/10	12/31/11	Strategic Plan Development	\$115,000	Only pool contractor with expertise to perform the work / existing relationship
Subtotal						\$1,845,175	
Total Real Estate Encumbered Amount						\$5,131,675	
Infrastructure	ILAC Spring-Fed Pool	Meketa Investment Group, Inc. (Contract #2010-5577)	08/17/10	08/31/10	Portfolio Review of the Forestland Program	\$50,000	Only pool contractor with expertise to perform the work
Total ILAC Encumbered Amount						\$50,000	
Grand Total Spring-Fed Pool Consultants Encumbered Amount						\$10,383,315	